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STUDENTS BRIEF

THE TEXTILES, LEATHER, CLOTHING AND FOOTWEAR SECTOR IN SCOTLAND

BY A JOWETT, N O'DONNELL AND E TAIT

The textiles, leather, clothing and footwear sector (TLCF) encompasses a wide variety of industries producing a heterogeneous collection of products*. It is not within the scope of this brief to analyse in detail such a complex mix of industries. Therefore the purpose of this brief is to describe the performance of the sector as a whole, within the context of the Scottish economy and to discuss the observed trends in the main economic variables outlined below. It should be noted that a study of the data available for the TLCF sector reveals numerous inconsistencies and deficiencies. For example it is not always possible to obtain data for eachindustry and the figures are not grouped together in any uniform way throughout the different sources.

PRODUCTION

The TLCF industries have held a central place in the British economy for a long time. They were a major sector in the industrial revolution and gained a dominant position in world markets throughout the 19th century and until after the First World War. Since then the industry has had to pursue a continual process of adjustment to meet the emergence and development of other industrial countries.

Historically, the sector has also been important to the Scottish economy where it has played a vital economic and social role, particularly in the Borders and the North East. TLCF is the fourth most important manufacturing sector in Scotland in terms of the value of net output, which amounted to £412.5m in 1977, 9.67% of the value of all Scottish manufacturing output. On the same basis Scotland's share of UK production of TLCF was 10.2%. Within the TLCF sector, textiles emerges as the major industry accounting for 68% of output in 1977 compared with 3% and 29% for leather and clothing respectively.

Figure 1 shows the index of industrial production for TLCF on an annual basis for both Scotland and the UK and outlines the cyclical fluctuations in activity experienced by the sector from 1958 to 1980. The expansions and contractions of the TLCF industries have, over the years, closely mirrored the economic and social history of Britain itself.

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*In the Standard Industrial Classification, TEXTILES consists of man-made fibres, woven linen, cotton yarn, cotton cloth, woollen and worsted cloth, jute, rope, twine, net hosiery and other knitted goods, lace, carpets, narrow fabrics, woven man-made fibres etc. LEATHER comprises leather, leather goods and fur. CLOTHING and FOOTWEAR includes weatherproof outerwear, tailored outerwear, overalls, shirts, dresswear, millinery, childrenswear and footwear.

Figure 1 Index of Industrial Production for Scotland & U.K. - Textiles, Leather, Clothing.

Source: Scottish Economic Bulletin.

Although the trends in output in both indices trace a similar pattern, Scotland has consistently fared better than the UK compared with 1975 levels of production. TLCF reached a peak in industrial production in 1973 followed by a recession in the industry to 1975. Over the next two years to 1977 the trend was reversed partly because the sector was stimulated by the low value of sterling encouraging export markets. Since 1977 the picture has been very bleak. The current recession has hit the TLCF sector extremely hard with activity levels in 1980 similar to those in 1962. Few industries have slumped as badly as TLCF: in 1980 output in TLCF was 12% less than in 1979 compared with a fall of 5.7% for total all manufacturing industries.

The index of production in the UK is available at a more disaggregated level of detail than the Scottish index. It would appear that while the textile and leather industries have been on a downward path in recent years, the clothing and footwear industry has actully experienced an increase in output. As the UK and Scotland follow similar paths in activity for TLCF as a whole, there is reason to believe that the clothing and footwear industry in Scotland has not suffered as much as others in the recent times. Employment data for Scotland supports this view.

EMPLOYMENT

In 1980 TLCF accounted for 14.9% of total manufacturing employment and for 4% of total employees in employment in Scotland. The sector's share of total employment has declined by 1% over the last decade. As a percentage of the UK, Scotland's share of employment is normally around 12% for textiles and 8% for clothing and footwear.

An examination of Table 1 shows that employment in TLCF has steadily declined from 109.3 thousand in 1973 to 82 thousand in 1980. From the data it is clear that this 25% reduction in employment is largely attributable to the textile industry. Meanwhile the employment situation in the leather, clothing and footwear industries has remained fairly stable over the years. Besides the general recession some of the employment problems in the TLCF sector have been caused by technology change and modernisation of the industry. For example in textiles where man-made fibres are supplanting cotton, this implies a high degree of capital intensity which eliminates direct employment.

Data from the Annual Census of Production points to the importance of small firms to the TLCF sector. In 1977, the contribution of small business to employment was higher in the TLCF industries (30.6%) than in any other manufacturing sector.

A high percentage of female employees is characteristic of this sector. Typically around 86% of employees are female in the clothing and footwear industry, with the corresponding figure for textiles being 55%. Therefore for a true evaluation of labour costs it is important to consider female earnings.

TABLE 1 EMPLOYMENT IN SCOTLAND (thousands)

Analysis by Sector (1968 SIC)	**1981**	**1972**	**1973**	**1974**	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**
XIII Textiles	72.0	71.0	71.4	69.4	58.8	57.2	59.0	55.3)	91	82
XIV-XV Leather Clothing & Footwear	34.2	36.0	37.9	36.8	34.6	33.4	35.3	34.4)		
III-XIX Manufacturing Indus.	669	643	657	676	637	608	615	604	596	550
Total Employees in Employment	2,003	1,989	2,050	2,084	2,076	2,071	2,071	2,067	2,077	2,027

Source: Scottish Economic Bulletin

EARNINGS

Earnings data are available for both male manual and female manual workers by industry in Scotland. Figure 2 compares average weekly earnings across industries for male and female employees in 1979.

It is the norm that earnings in TLCF are below those in any other sector of the economy. In 1979 the average weekly earnings of male manual and female manual employees were £83.1 and £57.7 respectively. compared with £99.2 and £59.1 the average for all manufacturing industries. During the same year earnings were even lower in the clothing and footwear industry; £77.9 for male and manual and £50.9 for female manual. In essence, female employees have in the past been lower paid than male employees. and females in TLCF receive the poorest wage in Scotland. This implies that the TLCF sector has the lowest labour costs per head of all industries in this country. Despite this fact, labour costs in the domestic industry are still higher than those in competing under-developed countries. This partially accounts for the continuing increase in import penetration. The effect of this increased import share reduces the labour force in two ways - directly, by forcing employers to prune manpower levels to a minimum and, indirectly, by speeding up rationalisation and labour saving investment.

INVESTMENT

Figure 3 depicts net capital expenditure from 1970-79 by the major manufacturing industries in Scotland. Looking at a comparison across industries TLCF again appears at the bottom end of the scale. In 1979 net capital expenditure in TLCF was £33.8m, only 6% of investment in manufacturing industries.

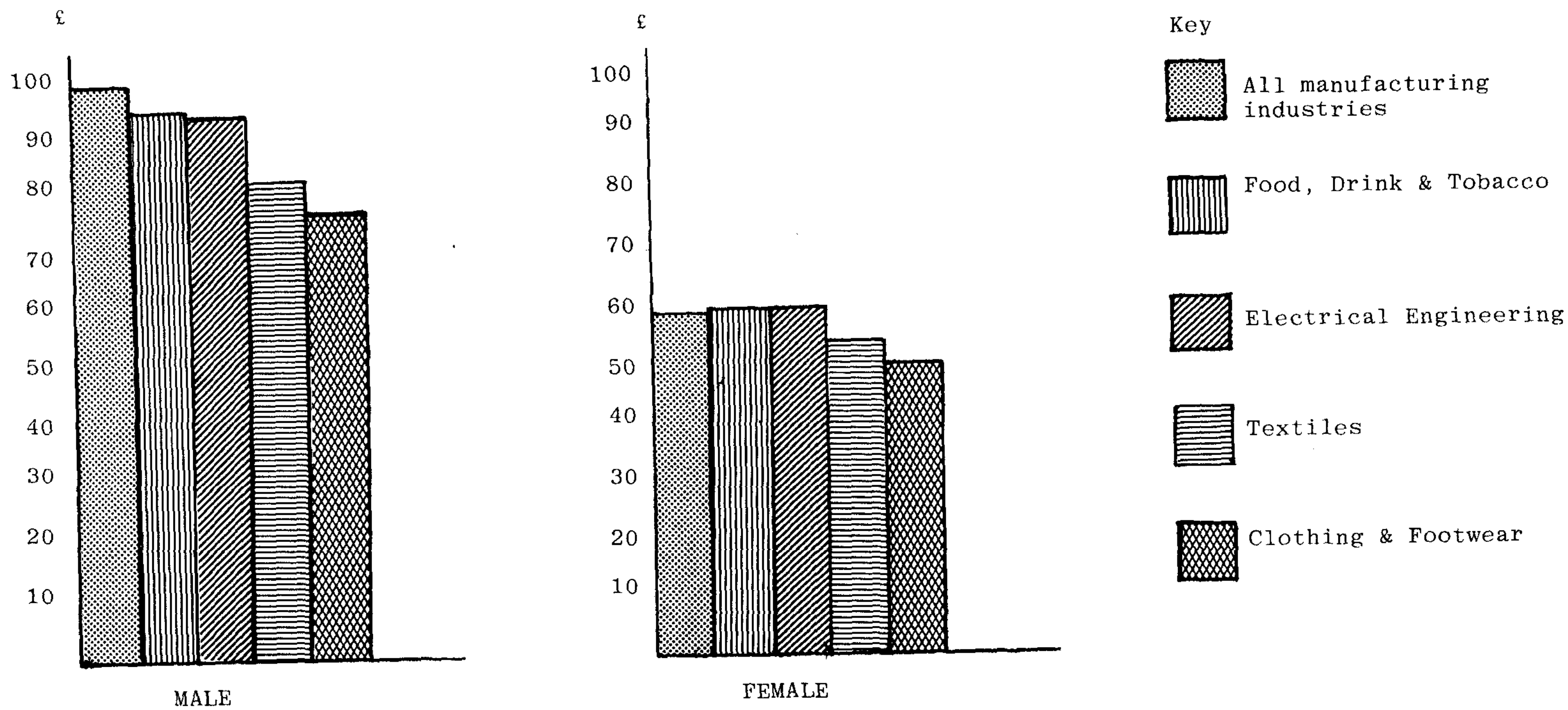
While these low investment levels are serious for textile manufactures and processors, for fibre producers they are disastrous. As in any industrial sector where high technology is constantly advancing,the ability to keep plant and machinery operating to a high degree of efficiency and productivity is imperative if an acceptable level of profitability is to be maintained, both to provide the payback for earlier investment and to fund the ongoing cash demands of further research and development work.

The TLCF industries in Scotland have long been troubled by excess capacity which has been a major factor in numerous firm closures and redundancies. The CBI Industrial Trends Survey for Scotland cites increased efficiency and replacement as the main reasons for capital expenditure authorisations, with only 9% of respondents investing to expand capacity. While these developments may improve capacity levels and efficiency, they may not be sufficient to keep pace with competitors. Either way the situation offers little hope for redundant textile workers.

TRADE

The textile and clothing sectors in Scotland and the UK have been facing a wide variety of problems for several decades. Some have been domestic in origin, arising from changes in technology, developments in fibres, excess capacity, exchange rate policy etc. Others have arisen as a result of the changing balance of world production. Although industrialised countries still continue to generate the major share of world exports of textiles and clothing combined, their overall dominance has been eroded, particularly throughout the 1960's and 1970's.

Figure 2   Average Weekly Earnings of Manual Employees in Scotland 1979



Source: New Earnings Survey

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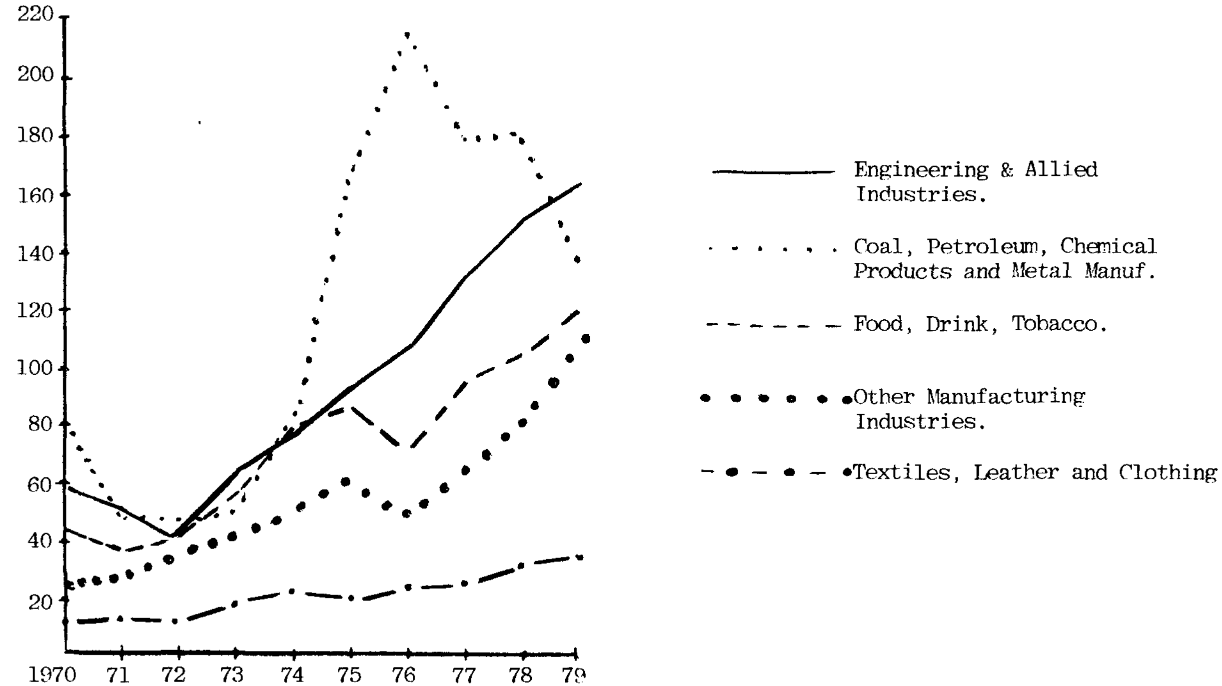
£m current prices

Figure 3 Net Capital Expenditure in Scotland: Manufacturing Industries.



Source: Annual Census of Production

Table 2 below provides an indication of the direction and rapidity of the change in the balance of world production of the broad categories of textiles and clothing.

TABLE 2 AVERAGE ANNUAL GROWTH RATES OF INDUSTRIAL PRODUCTION, 1966-1978

	TEXTILES	WEARING APPAREL, LEATHER, FOOTWEAR
World	+3.5	+3.4
Centrally Planned Economies	+5.8	+6.6
Developed Market Economies	+2.1	+1.5
Developing Market Economies	+4.4	+4.7
North America	+2.8	+1.4
Caribbean, Cen. & S America	+4.5	+4.5
Asia	+3.7	+3.6
Asia (excluding. Israel. Japan)	+4.5	+4.7
Oceania (Australia, N.Zealand)	+1.9	+1.8
EEC	+1.0	+0.1
UK	+0.8	+1.4
Scotland	+0.7*	

*Refers to growth rate for textiles, clothing, leather, and footwear combined

Source: Yearbook of Industrial Statistics, Volume 1

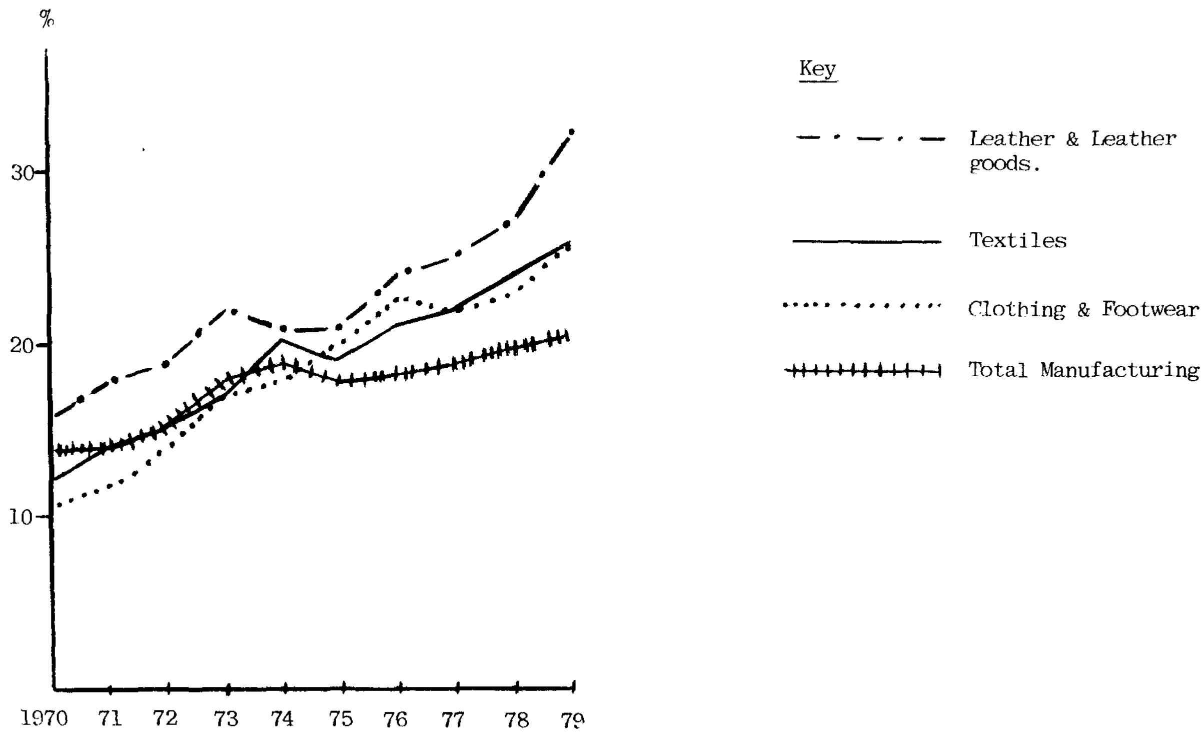
Some economies such as the centrally planned economies have had a steady expansion, much of which has been directed towards meeting their own home demand. Others like South Korea and Taiwan have achieved massive growth heavily geared towards export demand.

Clearly, many of these countries enjoy a considerable cost advantage in low skill, low wage processes and there is no doubt that across a narrow range of products, import penetration by a small group of developing countries has been both rapid and significant, assisted by improvements in transportation and communication and an ability and willingness to circumvent many import restrictions.

Relative cost advantages within industrialised countries have also shifted to the extent that import penetration by developed countries has raised serious problems in both our home and export markets. For example, some competitors have experienced less wage inflation and better productivity. Others have had the fuel component of their costs subsidised to alleviate the adverse affects of high oil prices.

Obviously, in the absence of comprehensive trade data, there are considerable difficulties in trying to assess the impact of foreign competition on industrial categories as heterogeneous as those of textiles, clothing and footwear. Nevertheless, if Scotland faces trends in import penetration ratios similar to those experienced in recent years by the UK as a whole, then many parts of textiles and related industries will be forced to continue to make painful adjustments in response to foreign competition. Import penetration ratios for the UK are shown in Figure 4.

Figure 4 Ratio of Imports to Home Demand and Exports.



Source: Central Statistical Office

In the 1970's, the UK has slipped from a net exporter to a net importer of textiles, and in clothing has remained a net importer. The UK trade balance for the years 1973-1978 are shown in Table 3.

TABLE 3 UK TEXTILE AND CLOTHING TRADE BALANCE (£m)

TEXTILES (inc. Man-made fibres)

	1973	**1975**	**1976**	**1977**	**1978[a)]**
Exports	707	829	1,110	1.359	698
Imports	556	732	975	1.196	742
Balance	151	97	135	163	- 44

CLOTHING

	1973	**1975**	**1976**	**1977**	**1978**
Exports	179	266	412	598	294
Imports	333	505	684	766	405
Balance	-154	-239	- 272	- 168	- 111
Net Balance	- 3	-142	- 137	- 5	- 155

a) first quarter

Source: UK Trade Accounts

It is not possible to construct from published data an equivalent table for Scotland. The Scottish Annual Abstract of Statistics contain annual data on trade through Scottish ports but they are insufficiently comprehensive to allow a year on year assessment of Scotland's net trading position. However, the Scottish Input/Output tables provide a detailed picture for 1973. From Table 4 it can be seen that in 1973, Scotland was a net exporter in value terms of textiles, leather, clothing and footwear combined, but had a large deficit on clothing and footwear. This is similar to the patterns for most developed countries though there are notable exceptions. Italy, for example, was the world's largest net exporter in value terms of textiles and clothing combined in 1978.

TABLE 4 EXPORTS AND IMPORTS OF TEXTILES, CLOTHING AND FOOTWEAR, 1973 (£m)

CATEGORY	EXPORTS TO RUK	EXPORTS TO ROW	EXPORTS TO TOTAL	IMPORTS TO RUK	IMPORTS TO ROW	IMPORTS TO TOTAL	BALANCE
Man-made fibres	7.3	8.0	15.3	16.3	7.6	23.9	- 8.6
Spinning, Weaving	27.8	25.9	53.7	43.5	21.7	65.2	-11.5
Woollen, Worsted	33.7	20.5	54.2	33.5	2.6	36.1	+18.1
Hosiery, Knitted Goods	39.9	18.9	58.8	18.9	3.9	22.8	+36.0
Carpets	36.1	9.5	45.6	15.1	2.1	17.2	+28.4
Other Textiles	51.0	17.3	68.3	19.9	17.2	37.1	+31.2
Leather	13.2	4.0	17.2	5.3	1.8	7.1	+10.1
Clothing	88.2	13.6	101.8	130.0	25.2	155.2	-53.4
Footwear	4.0	0.6	4.6	38.8	6.5	45.3	-40.7
Total			419.5			409.9	9.6

1) Rest of UK
2) Rest of World

Source: Scottish Input/Output Tables, 1973

In general, exports and imports of textiles, clothing, leather and footwear represent a substantial part of total trade by Scotland. Their exports and imports in 1973 represented 11.2% and 9.8% of total export and imports respectively. Prospects of further job losses and factory closures have prompted increased demands for solutions that would ease the burden of adjustment to changing economic, political and social conditions, both national and international. It is not self-evident that import restrictions necessarily contribute to the solution of many of the problems facing these industries and indeed could possibly delay essential action.

TEXTILES POLICY

The United Kingdom, along with the United States, had traditionally maintained open markets for textile goods, but in the 1950's it became increasingly difficult to maintain such a policy in the face of the rapid industrialisation of developing countries. These countries were able to produce cheap textiles, especially cottons, which threatened the industries in developed countries. The conflict of interest between long established textile producers and new textile industries eager to expand production and exports, required a compromise, and the first such attempt was the Long Term Arrangement on Cotton Textiles (LTA) which lasted for ten years until it was replaced in 1974.

The Arrangement Regarding International Trade in Textiles, commonly known as the Multi-Fibre Arrangement (MFA) came into effect in January 1974, was renewed in 1978 and negotiations are underway for its renewal in 1982. Its intended purpose was to encourage the expansion of world trade and the reduction of restrictions to trade, while at the same time offering industrialised countries a breathing space in which to adapt their textile industries to the competition of cheap imports. ('Adaptation' could take the form of contraction, where the industry could not match the competition, or restructuring to increase efficiency and lower production costs). In order to allow time for adjustment, a 6% limit was imposed on the rate of increase of exports of textiles, covering a wide range of goods, from developing to developed countries. However, the effect of the MFA has been to shield textile and clothing manufacturers in industrialised countries from competiion, and hence has continued to hinder the expansion of trade between the developed and developing nations. It seems likely that this situation will continue - the current recession and massive unemployment provide developed nations in difficulty with a strong case for further protection of the textiles industry from contraction. Demands are being made that the 1982 MFA include a recession clause, under which quotas on imports would be cut back in times of high unemployment.

In addition to the MFA, the EEC has concluded bilateral agreements and other arrangements with exporting countries to restrict the level of imports and permit domestic producers to hold onto a 'reasonable' share of the market.

The policy of the UK government with regard to the home textile industry has taken the form of assistance with restructuring. The government has offered investment aid to firms to improve productivity, and assistance with the reduction of over-capacity. Examples of this are the scheme for the Lancashire cotton industry, under the Cotton Industry Act 1959, and the wool textile scheme under the Industry Act 1972. The major objective of such schemes is that industry be made more competitive vis-a-vis other developed countries by reducing surplus production capacity. A concurrent government policy has been the retraining and relocation of workers displaced by the contraction of the textiles industry, but minimising the burden of jobs loss by such a policy becomes increasingly difficult in a climate of low growth and high and rising overall unemployment. In recent years, to prevent and delay further redundancy, the textile and clothing industries have been some of the main beneficiaries of the Temporary Employment Subsidy Scheme.

FUTURE PROSPECTS

The present crisis in the TLCF sector and in particular the textile industry reflects the general recession in the Scottish economy. The adverse effects of the high sterling rate, high interest rates, falling demand and excess capacity have all contributed to the long list of firm closures and redundancies in Scotland.

However a number of additional factors have accelerated the slump in the TLCF industries. Imports have been increasing at a rate and price with which our home industries cannot compete. Some of our imports originate from low-wage developing countries, although the Multi-Fibre Arrangements does discriminate against them. The remainder of our imports come from developed countries which do still occupy the dominant position in world textile trade. In fact, one should attribute some of the changes we have observed, notably as regards employment to the industrial dynamism of these countries, to growth in productivity and to specialisation in their production. For instance, American penetration of the carpet market has been a significant element in the problems of many Scottish carpet manufactures. US imports of synthetic fibres have been increasing at an alarming rate since 1978 and are selling at less than UK production costs in spite of a 23% tariff barrier: this is mainly due to the relative strength of sterling against the dollar and the availability of heavily subsidised energy to produce synthetic fibres in the US. Also the failure to label cheap or inferior imports to show country of origin has increasingly frustrated the sector.

On the domestic front, output levels are severely limited by the lack of orders or sales as many traditional customers are lost. In addition the contraction in the TLCF industries has been compounded by the loss or reduction of regional development grant status in areas such as Grampian and the Borders where a large section of the sector is based.

Although in image terms textiles is seldom seen as being at the frontiers of new technology, it is in fact subject to constant technical change. It has become clear that advanced technology is an important element in the race to keep up with competitors. This suggests a high level of capital intensity which has its social consequences, yet if the industry is to survive it must restructure and adapt to change.

Most experts agree that the future of the Scottish TLCF sector lies with expanding export markets promoting the Scottish image. Some high quality and specialist firms have already had some considerable export success. A recent report by the Scottish Development Agency recommends the sector to adopt more aggressive marketing techniques and more product design research. The SDA are launching a five year sales campaign aimed at six export markets in an attempt to protect jobs and combat imports. However this campaign only applies to the Scottish wool industry. The fall in the value of sterling in recent months should improve the competitiveness of our exports, but whether world markets can absorb an increase in Scottish products remains to be seen.

SOURCES AND REFERENCES

Statistics on textiles, leather, clothing and footwear are available from a number of official publications. These include:

a) Scottish Abstract of Statistics. Published annually by the Scottish Office. Provides information in the index of production, employment and trade.

b) Scottish Economic Bulletin. Published quarterly by the Scottish Office. Summarises and updates the main quarterly economic series.

c) New Earnings Survey. Part E. Analysis by Region and Age Group. Published annually by the Department of Employment.

d) Guide to Official Statistics published by the Central Statistical Office. *The volume contains a detailed list of regular sources of* information for each subcategory within the TLCF sector. Most of these sources will refer to the UK.

e) Yearbook of International Trade Statistics. Published by the United Nations.

f) Discussion of the performance of the TLCF sectors are regularly reported in many national newspapers and in this commentary. A number of books and articles also cover the main issues involved. Some examples include:

1) V Cable - World Textile Trade and Production. Economist Intelligence Unit Special Report No 63.

2) G Curson - Neo-protectionism. the MFA and the European Community. World Economy Volume 4, Number 3, September 1981 (Trade Policy Research Centre).

3) D B Keesing and M Wolfe - Textile Quotas against Developing Countries. Thames Essay No 23 (London: Trade Policy Research Centre, 1980).

4) Proceedings of a Conference organised by the British Textile Confederation in association with the Textile Institute held in London on 25-26 May 1978. Published by The Textile Institute, 10 Blackfriars Street, Manchester, M3 5DR.

5) P G Schmidt - The Multi-Fibre Arrangement - A Hydra of Protectionism? Review of International Trade and Development No 5. September/October 1981.